

VZCZCXRO0311  
RR RUEHGR  
DE RUEHSP #1358/01 3321422  
ZNR UUUUU ZZH  
R 281422Z NOV 06  
FM AMEMBASSY PORT OF SPAIN  
TO RUEHC/SECSTATE WASHDC 7622  
INFO RUCNCOM/EC CARICOM COLLECTIVE

UNCLAS SECTION 01 OF 03 PORT OF SPAIN 001358

SIPDIS

SIPDIS

E.O. 12958: N/A  
TAGS: [EAIR](#) [ECON](#) [ECPS](#) [EFIN](#) [EINV](#) [ELNT](#) [ETRD](#) [KIRP](#) [TD](#)  
SUBJECT: TRINIDAD ECONOMIC HIGHLIGHTS - NOVEMBER PT 1

Ref: (A) Port of Spain 1294, (B) Port of Spain 568

The following were notable economic issues in Trinidad & Tobago during the first half of November:

- [1](#)1. Farewell BWIA, welcome Caribbean Airlines
- [1](#)2. Inflation - who's to blame?
- [1](#)3. Crushing blow to music pirates
- [1](#)4. Telecom - Digicel goes to court; Paltel drops out
- [1](#)5. HBO to plug Flow
- [1](#)6. T&T/India to sign BIT
- [1](#)7. U.S. consultants derailed
- [1](#)8. GOTT convenes smelter symposium, but...
- [1](#)9. Smelter number three?
- [1](#)10. EMA Sends Alutrint Smelter Back to Drawing Board 11. More smelter matters

-----  
[1](#)1. Farewell BWIA, Welcome Caribbean Airlines  
-----

Effective January 1, 2007, the 66-year old airline BWIA will cease to exist and will be replaced by new entity, Caribbean Airlines (CA). CA's CEO Peter Davies said that his mandate is to position CA as a competitive carrier, and he insists that the transition from one company to the other will be seamless. CA will continue to fly BWIA routes to the United Kingdom, United States, Canada and the Caribbean. CA plans to extend its engineering capability beyond its jet fleet to include the ability to undertake heavy maintenance and repair checks on its turboprop aircraft and for other carriers. CA is also interested in providing regional air transport within the Caribbean and to major international cities, but the impending alliance between Liat and Caribbean Star Airlines may offer stiff competition. (See reftel A for more details on the BWIA-to-CA transition.)

On November 20, Davies announced that CA will trade its Heathrow slots to British Airways in exchange for a code-share arrangement with BA between Port of Spain and Gatwick beginning March 28. CA will continue its scheduled service between Port of Spain and Heathrow until March 27. Under the agreement:

- Caribbean Airlines' flight code will be placed on BA's service from Port of Spain, Barbados and Antigua.
- The Port of Spain to Gatwick flights will be offered every Wednesday, Thursday and Saturday.
- On all other days, CA and BA will code-share on connecting service between Port of Spain and London via Barbados.

-----  
[1](#)2. Inflation - who's to blame?  
-----

Rising inflation has led to mutual finger-pointing between government ministers, opposition politicians, farmers and food distributors. Following the announcement that retail prices had risen 9.6% year-on-year as of September, Central Bank Governor Ewart Williams warned on October 30 that inflationary expectations would be difficult to rein in if inflation goes to double digits. Prime

Minister Patrick countered with reassurances on November 2 that double digit inflation would "not be the end of the world." Junior Finance Minister Conrad Enill, having previously defended the government's 2007 budget as "restrained," acknowledged on November 11 that GOTT's ambitious development expenditure has contributed to inflation. Enill indicated the GOTT is looking at intervention in food production and a reprioritization of expenditure to bring inflation down to seven percent by the end of the current fiscal year, as announced by Prime Minister Manning during the 2007 budget presentation. Then on November 16 Enill announced plans for a TT\$2.5 billion GOTT bond issue to support Central Bank efforts to absorb excess liquidity. Enill said that a first tranche, expected by year-end, would be issued in a variety of denominations targeting both individual and institutional investors.

-----  
13. Crushing Blow the Music Pirates  
-----

In an effort to send the strongest possible signal to music pirates, the Copyright Music Organisation of T&T (COTT) destroyed more than 3,000 unlawfully manufactured CDs and several pieces of electronic equipment worth approx. US\$13,000 by crushing them with a steamroller and burning the rubble in an incinerator on November 10. Local print and broadcast media featured images of COTT President Lutalo Masimba, a calypso artist, driving the steamroller. Masimba told press that his organization is committed to eradicating music piracy and is going after the 'big fish,' the mass manufacturers of these illegal products, in order to stop music piracy at the source.

-----  
14. Telecom - Digicel goes to court, Paltel drops out  
-----

PORT OF SP 00001358 002 OF 003

Negotiations toward and interconnection agreement between Irish mobile telecom carrier Digicel and dominant carrier TSTT suffered new setbacks as Digicel went to court to overturn an arbitration panel report intended to form the basis of an agreement and also filed a lawsuit against TSTT for dropping calls originated by Digicel customers. TSTT officials blamed new entrant Digicel for the failure to conclude an interconnection agreement, with the result that the carriers continue to operate on a "sender gets all" basis, to Digicel's advantage. Digicel, which launched in April, is loath to accept arbitration panel recommendations on reciprocity of rates, which reportedly would be less favorable for Digicel in T&T than in other markets where Digicel competes with Cable & Wireless affiliated carriers.

Meanwhile, local start-up mobile provider Laqtel still has not launched service and has for the second time parted ways with a would-be partner, this time Paltel, a Palestinian based telecommunications company. Laqtel has already signed co-location and interconnection agreements with TSTT but has yet to enter the market. Saskatchewan Telecommunications International of Canada was Laqtel's previous partner.

-----  
15. HBO to Plug Flow  
-----

Local attorneys for U.S. cable network HBO issued a warning letter to T&T cable company Columbus Communications, also known as Flow, calling on the company to immediately cease broadcasting HBO's programs. The November 10 letter warned that Columbus is liable for both criminal and civil proceedings under T&T's Copyright Act for rebroadcasting HBO's programs to the public as part of a subscription package without authorization. Responding to press inquiries, a Columbus official asserted that negotiations with HBO are still ongoing and active and faulted DIRECTV Trinidad - part of California-based DIRECTV Group and the main complainant against Columbus Communications' cable piracy - for not cooperating with Columbus' efforts to negotiate with HBO (see reftel B).

-----  
16. T&T/India to sign BIT  
-----

India's Vice President Bhairon Singh Shekhawat visited T&T recently to hold discussions with the GOTT towards the signing of a bilateral Investment Treaty (BIT). T&T Minister of Trade and Industry Kenneth Valley said that the agreement would most likely be signed when T&T's Far East mission visits India next year. Valley said that the BIT could facilitate joint ventures between Indian and T&T companies in health, information technology and filmmaking. India is reported to be T&T's fourth largest source of inward foreign direct investment in the amount of USD 28 million annually. Shekhawat stated that India will increase the number of Indian Technical and Economic Cooperation (ITEC) scholarships for T&T nationals from 20 to 30 a year.

-----  
17. U.S. Consultants Derailed  
-----

On November 7, the GOTT Ministry of Works and Transport announced that it terminated a contract with U.S. company Parsons Brinckerhoff, Quade and Douglas's to oversee the tendering of a US\$1 billion rapid rail project. The Ministry cited Parsons Brinckerhoff's failure to disclose its involvement through a subsidiary company in a joint venture with Canadian firm Bombardier in a bid for a railway project in Isreal; Bombardier is a member of one of the consortia bidding for the rapid rail project. The National Infrastructure Development Company (NIDCO) reportedly has engaged a new consultant to evaluate bids for the project, which were due August 31, but NIDCO has not disclosed the new consultant's identity. Selection of the preferred contractor will be made by December 31.

-----  
18. GOTT Convenes Smelter Symposium, but...  
-----

In light of concerns raised, and ongoing objections to the proposed construction of aluminum smelters in T&T, Prime Minister Patrick Manning announced the convening of a national symposium on this issue. The symposium is scheduled for December 6 and is being organized by the South Trinidad Chamber of Industry and Commerce in collaboration with the National Energy Corporation. Chamber CEO Thackwray Driver said he expects some U.S. and other foreign experts to participate.

In spite of calling for the symposium, PM Manning continued to insist that government will stand firm on smelters and that neither protests nor objections will dictate the pace of GOTT development plans. He said "We will hear what has to be said. We will separate

PORT OF SP 00001358 003 OF 003

fact from fiction and we will take a decision which we believe to be in the best interest of the people of T&T."

-----  
19. Smelter Number Three?  
-----

According to newspaper reports, Mitsubishi Corporation, Japan's largest general trading firm, has submitted a third proposal for an aluminum smelter plant in T&T. Prime Minister Patrick Manning had previously revealed that the GOTT had received an offer. The Prime Minister set off a storm of criticism and commentary when he told reporters that once the documents have been examined and accepted by Government, and if the proposal meets the requirements of the Environmental Management Authority (EMA), "it would be smelter plant number three." According to press reports, Mitsubishi smelter has proposed a 125,000 metric ton smelter, would match the production of the proposed Alutrinit smelter, significantly smaller than the US\$1.5 billion, 341,000 metric-ton smelter proposed by Alcoa.

-----  
110. EMA faults Alutrinit's EIA, sets terms for Alcoa's  
-----

-----

Alutrint, operator of the smaller of two planned aluminum smelters provisionally approved by the GOTT, was required to resubmit a technical report to T&T's Environmental Management Authority (EMA) for the second time, after the EMA ruled that Alutrint had not sufficiently addressed environmental and public consultation concerns for its environmental impact assessment. The EMA requested Alutrint to provide more information, particularly on its plans for public consultation and the buffer zone for the plant.

The EMA also announced the final terms of reference for the environmental impact assessment (EIA) of Alcoa's planned aluminum smelter. According to the TOR, Alcoa must evaluate the risk of aquifer contamination, hydrogen fluoride emissions and perform a social impact assessment to be granted approval by the EMA for its planned aluminum smelter in Chatham. Alcoa must also conduct "site specific human health and ecological risk assessments." Alcoa said it would take approximately six months to address all the EMA's concerns.

-----

11. More Smelter Matters

-----

Trade and Industry Minister Kenneth Valley told press that he is encouraging manufacturers to begin looking at possible joint venture partners to take advantage of the opportunities should the smelter projects get the green light. GOTT agency ETecK (Evolving Technologies) has been mandated to come up with a business plan for the industry, which includes identifying the downstream prospects for aluminum i.e. cans, bottle caps, ladders, car parts. E-TecK reportedly has already received inquiries from foreign downstream manufacturers regarding the possibilities of setting up plants in T&T.

AUSTIN